

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(D) OF
THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): September 28, 1999

VTEL CORPORATION

(Exact name of registrant as specified in its charter)

DELAWARE	0-20008	74-2415696
-----	-----	-----
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)
108 WILD BASIN ROAD, AUSTIN, TEXAS		78746
-----		-----
(Address of principal executive offices)		(Zip Code)
Registrant's telephone number, including area code:		(512) 437-2700

(NOT APPLICABLE)

(Former name or former address, if changed since last report)

1

ITEM 5. OTHER EVENTS

The Registrant files herewith the exhibit listed in Item 7(c) below.

ITEM 7(C). EXHIBITS

The following exhibit is furnished in accordance with Item 601 of
Regulation S-K:

99 Press Release

2

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

VTEL CORPORATION
(Registrant)

Date: September 30, 1999

By: /s/ Rodney S. Bond

Rodney S. Bond
Vice President-Finance and Chief
Financial Officer

Exhibit 99

[GRAPHIC OMITTED]

FOR IMMEDIATE RELEASE

Contact: Michael Russell
Senior Director, Investor Relations
(512) 437-2354
mike_russell@vtel.com

VTEL Reports Fourth Quarter and Year-End Results
for Fiscal Year 1999

AUSTIN, Texas (Sept. 28, 1999) - VTEL(R) Corporation (NASDAQ: VTEL) today reported financial results for its fiscal 1999 fourth quarter and year end for the period ended July 31, 1999.

For the three-month period, VTEL reported net income of \$392,000, or \$.02 per share on 24.9 million fully diluted shares outstanding, compared to \$1.4 million, or \$.06 per share on 23.5 million shares, for the same three-month period in fiscal year 1998. Revenue for the fourth quarter totaled \$40.8 million versus \$47.7 million for the fourth quarter of 1998.

"Our top-line performance in the fourth quarter grew 13 percent over third quarter, indicating that there is renewed strength in VTEL's core vertical markets," said Stephen Von Rump, president of VTEL. "We continued to reduce operating expenses, which were down \$1.3 million, or seven percent, from the third quarter."

For the one-year period ending July 31, 1999, revenues were \$151.6 million compared to \$179.7 million for the one-year period in 1998. The company reported a net loss for fiscal year

VTEL Reports Fourth Quarter and Year-End Results for Fiscal Year 1999//Page 2

1999 of \$15.6 million, including \$3.1 million in restructuring charges, or \$0.66 per diluted share, versus net income of \$2.8 million, or \$0.12 per share, for fiscal year 1998.

- more -

VTEL also reported that it has restated previously issued financial statements for first, second and third quarters of fiscal year 1999. The restatements are attributed to non-cash adjustments made to certain depreciation and amortization accounts, inventory accounts, and to the reversal of previously recorded final acceptance revenues for certain Chinese orders in which final cash payment has not yet been received.

"We are pleased with the objectives we met in the fourth quarter that will carry us into fiscal year 2000," said Von Rump. "That momentum, coupled with the completion of several key initiatives during fiscal year 1999, better positions VTEL for achieving its potential future performance."

Von Rump said those initiatives included the acquisition of the streaming technology of Vosaic LLC and subsequent launch of VTEL's TurboCast streaming suite; introduction of the Network Assured Program with Cisco as its charter member; operating expense reductions of \$7.1 million since first quarter; realignment of all customer facing organizations; and the introduction of Galaxy, a completely new product line. "We established 13 percent revenue growth quarter-over-quarter, reduced operating expenses for the fourth straight quarter and reduced days in inventory to a four-quarter low," said Von Rump.

Based in Austin, Texas with offices and resellers in 61 countries, VTEL Corporation is a global leader in high technology visual communications products and services. From Internet visual communications software and services to videoconferencing systems and video-networking solutions, VTEL offers customers the most complete range of products and implementation support. VTEL serves customers in the commercial, education, healthcare, and government markets by combining the power of traditional videoconferencing with the vast reach of the Internet.

This release may include projections and other forward-looking statements that involve a number of risks and uncertainties and as such, actual results in future periods may differ materially from those currently expected or desired. Some of the factors that could cause actual results to differ materially include rapid changes in technology, changes in customer order patterns or order mix, the ability to collect certain foreign receivables, foreign exchange rate

VTEL Reports Fourth Quarter and Year-End Results for Fiscal Year 1999//Page 3

fluctuations, the intensity of competition, the cost and availability of certain key components, the

- more -

company's ability to manage product transitions and inventory levels, product pricing pressures, sudden or unexpected changes in demand for VTEL's videoconferencing systems, and litigation involving intellectual property and other issues. In addition, notwithstanding the internal control procedures instituted by VTEL, there can be no guarantee that accounting errors will not occur. Additional discussion of these and other risk factors affecting the company's business and prospects is contained in the company's periodic filings with the SEC.

- more -
(financials follow)

VTEL is a registered trademark of VTEL Corporation.
VTEL Corporation, 108 Wild Basin Road, Austin, Texas, 78746.
Phone: 512-437-2700, Fax: 512-437-2792.
VTEL Website: <http://www.vtel.com>

VTEL Reports Fourth Quarter and Year-End Results for Fiscal Year 1999//Page 4

VTEL Corporation
CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

(Amounts in thousands, except per share amounts)

For the Three Months Ended July 31,		For the Twelve Months Ended July 31,	
1999	1998	1999	1998
Unaudited	Unaudited	Unaudited	

Revenues:

Products	\$ 28,113	\$ 35,485	\$ 105,520	\$ 134,775
Services and other	12,678	12,218	46,082	44,909
Total revenues	40,791	47,703	151,602	179,684
Cost of sales:				
Products	15,367	16,635	55,167	65,811
Services and other	8,002	7,600	29,197	28,916
Total cost of sales	23,369	24,235	84,364	94,727
Gross margin	17,422	23,468	67,238	84,957
Operating expenses:				
Selling, general and administrative	13,182	18,571	60,855	64,802
Research and development	3,650	5,137	17,951	19,892
Merger and other	(235)	(1,536)	(235)	(1,536)
Amortization of intangible assets	381	240	1,271	960
Restructuring expense	(38)	-	3,080	-
Total operating expenses	16,940	22,412	82,922	84,118
Income (loss) from operations	482	1,056	(15,684)	839
Other income (expense):				
Interest income	91	526	792	1,242
Interest expense and other	(231)	(171)	(723)	735
	(140)	355	69	1,977
Net income (loss) before provision for income taxes	342	1,411	(15,615)	2,816
Benefit (provision) for income taxes	50	-	50	(37)
Net income (loss)	\$ 392	\$ 1,411	\$ (15,565)	\$ 2,779
Basic and diluted income (loss) per share:	\$ 0.02	\$ 0.06	\$ (0.66)	\$ 0.12
Weighted average shares outstanding:				
Basic	24,235	23,057	23,509	23,057
Diluted	24,919	23,458	23,509	23,458

VTEL Reports Fourth Quarter and Year-End Results for Fiscal Year 1999//Page 5

VTEL Corporation
CONDENSED CONSOLIDATED BALANCE SHEET

(Amounts in thousands, except share)

	July 31, 1999 Unaudited	July 31, 1998
ASSETS		
Current assets:		
Cash and equivalents	\$ 7,805	\$ 15,191
Short-term investments	4,308	14,484
Accounts receivable, net of allowance for doubtful accounts of \$1,223 and \$9,447 at July 31, 1999 and July 31, 1998	38,291	40,527
Inventories	15,803	12,951
Prepaid expenses and other current assets	2,320	2,533
Total current assets	68,527	85,686
Property and equipment, net		

Intangible assets, net	29,454	28,106
Other assets	15,841	11,812
	10,270	3,685
	<u>\$ 124,092</u>	<u>\$ 129,289</u>
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 18,387	\$ 22,600
Accrued merger and other expenses	-	1,741
Accrued compensation and benefits	4,906	5,258
Other accrued liabilities	6,221	2,791
Deferred revenue	10,756	11,793
Total current liabilities	<u>40,270</u>	<u>44,183</u>
Long-term liabilities:		
Borrowings under revolving line of credit	11,200	-
Other long-term obligations	<u>4,698</u>	<u>3,848</u>
Total long-term liabilities	<u>15,898</u>	<u>3,848</u>
Commitments and contingencies	-	-
Stockholders' equity:		
Common stock, \$.01 par value; 40,000,000 authorized; 24,423,000 and 23,227,000 issued at July 31, 1999 and July 31, 1998	244	232
Additional paid-in capital	259,740	256,594
Treasury stock, at cost: 200 shares outstanding	-	-
Accumulated deficit	(191,645)	(175,455)
Accumulated other comprehensive loss	(415)	(113)
Total stockholders' equity	<u>67,924</u>	<u>81,258</u>
	<u>\$ 124,092</u>	<u>\$ 129,289</u>
	=====	=====

VTEL Reports Fourth Quarter and Year-End Results for Fiscal Year 1999//Page 6

VTEL Corporation
CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

Unaudited

(Amounts in thousands, except per share amounts)

	As Reported For the Three Months Ended			Restated For the Three Months Ended		
	Oct. 31, 1998	Jan 31, 1999	April 30, 1999	Oct. 31, 1998	Jan 31, 1999	April 30, 1999
Revenues:						
Products	\$ 24,528	\$ 24,550	\$ 22,658	\$ 25,888	\$ 26,386	\$ 25,133
Services and other	12,407	13,085	13,999	11,052	11,369	10,983
Total revenues	<u>36,935</u>	<u>37,635</u>	<u>36,657</u>	<u>36,940</u>	<u>37,755</u>	<u>36,116</u>
Cost of sales:						
Products	12,227	13,206	9,882	13,280	14,483	12,037
Services and other	8,188	8,549	8,232	7,348	7,485	6,362
Total cost of sales	<u>20,415</u>	<u>21,755</u>	<u>18,114</u>	<u>20,628</u>	<u>21,968</u>	<u>18,399</u>
Gross margin	<u>16,520</u>	<u>15,880</u>	<u>18,543</u>	<u>16,312</u>	<u>15,787</u>	<u>17,717</u>
Operating expenses:						
Selling, general and administrative	18,240	15,704	13,141	18,503	15,916	13,254
Research and development	5,236	4,638	4,427	5,236	4,638	4,427
Amortization of intangible assets	252	259	379	252	259	379

Restructuring expense	-	2,915	203	-	2,915	203
	-----	-----	-----	-----	-----	-----
Total operating expenses	23,728	23,516	18,150	23,991	23,728	18,263
	-----	-----	-----	-----	-----	-----
Income (loss) from operations	(7,208)	(7,636)	393	(7,679)	(7,941)	(546)
	-----	-----	-----	-----	-----	-----
Other income (expense):						
Interest income	288	248	165	288	248	165
Interest expense and other	(48)	(251)	(193)	(48)	(251)	(193)
	-----	-----	-----	-----	-----	-----
	240	(3)	(28)	240	(3)	(28)
	-----	-----	-----	-----	-----	-----
Net income (loss) before provision						
for income taxes	(6,968)	(7,639)	365	(7,439)	(7,944)	(574)
Provision for income taxes	-	-	-	-	-	-
	-----	-----	-----	-----	-----	-----
Net income (loss)	\$ (6,968)	\$ (7,639)	\$ 365	\$ (7,439)	\$ (7,944)	\$ (574)
	=====	=====	=====	=====	=====	=====
Basic and diluted income (loss) per share:	\$ (0.30)	\$ (0.33)	\$ 0.02	\$ (0.32)	\$ (0.35)	\$ (0.02)
	=====	=====	=====	=====	=====	=====
Weighted average shares outstanding:						
Basic	23,085	22,987	23,734	23,085	22,987	23,734
	=====	=====	=====	=====	=====	=====
Diluted	23,085	22,987	24,065	23,085	22,987	23,734
	=====	=====	=====	=====	=====	=====

#